
First Maritime Mining Corporation Limited

(No Personal Liability)

Annual Report

For the year ended December 31,

1978



First Maritime Mining Corporation Limited

(No Personal Liability)

Incorporated under the laws of New Brunswick on December 30, 1955

DIRECTORS

R. J. ISAACS. Islington, Ontario
A. G. KIRKLAND. Saint John, New Brunswick
D. A. MACFARLANE. Saint John, New Brunswick
DR. A. L. McALLISTER. Fredericton, New Brunswick
L. McC. RITCHIE. Saint John, New Brunswick

OFFICERS

L. McC. RITCHIE. *President*
A. G. KIRKLAND. *Vice-President*
D. A. MACFARLANE. *Secretary and Treasurer*
MRS. M. JONES. *Asst. Secretary*

HEAD OFFICE

GOLDEN BALL BUILDING. Saint John, New Brunswick

MINE OFFICE

GULLBRIDGE MINES. Badger, Newfoundland

AUDITORS

COOPERS & LYBRAND. Saint John, New Brunswick

TRANSFER AGENT

GUARANTY TRUST COMPANY OF CANADA. Toronto, Ontario

ANNUAL MEETING

April 25, 1979, 2:30 P.M. (Saint John time)

Golden Ball Building, Saint John, New Brunswick

First Maritime Mining Corporation Limited

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DIRECTORS' REPORT TO THE SHAREHOLDERS

Operations for the year 1978 resulted in a loss of \$393,353 (\$.07 per share) compared with a loss of \$385,627 (\$.07 per share) in 1977. Again in 1978, 50% of the loss was a foreign exchange loss resulting from the effect of the decline of the Canadian dollar vis-a-vis the U.S. dollar. Also resulting from foreign exchange, interest on long term debt increased by approximately \$60,000 to \$264,953.

Your Corporation continues to hold its investment in 1,766,353 shares of Brunswick Mining and Smelting Corporation Limited (Brunswick). The quoted market value of this investment improved from \$6.5 million at the end of 1977 to \$10.1 million at the end of 1978. Operating results of Brunswick released recently show earnings in 1978 of 75c per share compared with only 7c per share in 1977. Your Directors are hopeful this improvement in earnings will continue into 1979 and be reflected in increased dividend payments. One dividend of 10c per share was received by your Corporation in 1978.

In our last annual report, it was stated that the company from which we had borrowed U.S. \$2,300,000, namely Mercantile Bank and Trust Company Limited, Freeport, Bahamas had been put in liquidation by its U.S. parent. This led to a lawsuit in which your Corporation was a party. In order to simplify our position and terminate legal costs, the loan has been refinanced through a Canadian chartered bank and the previous loan repaid. The new loan is for a three year period, bearing interest payable semi-annually at 1% over the six month London Inter Bank offering rate.

There has been no change in the Board of Directors or officers of the Corporation in 1978.

On Behalf of the Board
L. McC RITCHIE,
President.

Saint John, N.B.
March 5, 1979

COOPERS & LYBRAND

CHARTERED ACCOUNTANTS
801 BRUNSWICK HOUSE
SAINT JOHN, N. B., CANADA

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of First Maritime Mining Corporation Limited (No personal liability) as at December 31, 1978 and the consolidated statements of earnings and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Subject to the determination of realizable value of the fixed assets of Gullbridge Mines Limited, as stated in note 2, in our opinion these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND

January 26, 1979

Chartered Accountants

CONSOLIDATED BALANCE

ASSETS

	1978 \$	1977 \$
Current Assets		
Cash and short-term deposits.	214,985	28,955
Accounts receivable.	<u>3,553</u>	<u>1,287</u>
	<u>218,538</u>	<u>30,242</u>
Investments		
Shares in Brunswick Mining and Smelting Corporation Limited — at cost (note 3) 1,766,353 shares — quoted value \$10,157,000 (1977 — \$6,536,000).	<u>5,154,530</u>	<u>5,154,530</u>
Fixed Assets (note 2)		
Land, mining grants and mining licenses — at nominal value.	4	4
Buildings, equipment and surface structures — at cost less accumulated depreciation.	<u>1,599,403</u>	<u>1,603,974</u>
	<u>1,599,407</u>	<u>1,603,978</u>
Deferred Expenditures		
Materials and supplies — at estimated realizable value.	<u>95,254</u>	<u>96,355</u>
	<u>7,067,729</u>	<u>6,885,105</u>

Signed on behalf of the Board:

L. McC. RITCHIE, Director

D. A. MACFARLANE, Director

Corporation Limited

Liability)

T AS AT DECEMBER 31, 1978

LIABILITIES

	1978 \$	1977 \$
Current Liabilities		
Bank loan (note 5).	100,000	—
Accounts payable and accrued liabilities.	136,713	80,692
Demand loan from a shareholder (U.S. \$300,000) (note 5).	355,740	—
Current portion of long-term debt (note 5).	<u>136,367</u>	<u>125,810</u>
	<u>728,820</u>	<u>206,502</u>
Long-Term Debt (note 3)		
U.S. \$2,070,000 promissory note — secured (note 5).	2,454,606	2,390,390
Less: Current portion (note 5).	<u>135,367</u>	<u>125,810</u>
	<u>2,318,239</u>	<u>2,264,580</u>

SHAREHOLDERS' EQUITY

Capital Stock		
Authorized —		
7,000,000 shares of \$1 par value		
Issued and fully paid —		
5,371,280 shares.	5,371,280	5,371,280
Contributed Surplus.	8,766,794	8,766,794
Deficit.	<u>(10,117,404)</u>	<u>(9,724,051)</u>
	<u>4,020,670</u>	<u>4,414,023</u>
	<u>7,067,729</u>	<u>6,885,105</u>

First Maritime Mining Corporation Limited

(No Personal Liability)

CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT

For the year ended December 31, 1978

	1978 \$	1977 \$
Income		
Dividends.	176,635	88,318
Interest.	564	10,848
Other income.	<u>—</u>	<u>1,190</u>
	<u>177,199</u>	<u>100,356</u>
Expenses		
Mine costs.	37,838	42,701
Administration costs.	67,270	47,008
Interest on long-term debt.	264,953	204,215
Loss on foreign exchange.	<u>200,491</u>	<u>192,059</u>
	<u>570,552</u>	<u>485,983</u>
Loss for the year.	393,353	385,627
Deficit — Beginning of year.	<u>9,724,051</u>	<u>9,338,424</u>
Deficit — End of year.	<u>10,117,404</u>	<u>9,724,051</u>
Loss per share.	<u>.07</u>	<u>.07</u>

First Maritime Mining Corporation Limited

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CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31, 1978

	1978 \$	1977 \$
Source of Working Capital		
Increase in long-term debt.	53,659	60,352
Proceeds on sale of fixed assets.	4,109	100,042
Decrease in other assets.	1,101	6,896
	<u>58,869</u>	<u>167,290</u>
Use of Working Capital		
Used in operations —		
Loss for the year.	393,353	385,627
Deduct: Item not affecting working capital —		
Depreciation.	462	661
	<u>392,891</u>	<u>384,966</u>
Purchase of fixed assets.	—	2,202
	<u>392,891</u>	<u>387,168</u>
Decrease in Working Capital.	334,022	219,878
Working Capital (Deficiency) — Beginning of Year.	(176,260)	43,618
Working Capital (Deficiency) — End of Year.	<u>(510,282)</u>	<u>(176,260)</u>

First Maritime Mining Corporation Limited

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 1978

1. Basis of Consolidation

The consolidated financial statements include the accounts of Gullbridge Mines Limited.

Little Bay Power Corporation Limited, a wholly-owned subsidiary, was dissolved in 1978.

2. Fixed Assets

Gullbridge Mines Limited closed its mine on December 5, 1971. At this time it is not possible to estimate the realizable value of fixed assets of Gullbridge having a book value of \$1,599,403, as follows:

	1978	1977
	\$	\$
Buildings, equipment and other		
surface installations — at cost.	4,971,971	4,976,080
Accumulated depreciation.	3,372,568	3,372,106
	<u>1,599,403</u>	<u>1,603,974</u>

No annual provision for depreciation has been made since 1971, with the exception of depreciation for the year of \$462 on an automobile purchased in 1977.

In 1972 Gullbridge Mines Limited wrote off fixed assets with a cost of \$1,145,969 and a net book value of \$435,287. These represent dams and surface equipment at the site of the closed mine.

3. Long-Term Debt

- (a) The long-term debt is payable in United States funds and has been translated at the exchange rate prevailing at December 31, 1978.

Interest is calculated on a six month basis at 2% over the then six month London Inter-Bank offer rate. For the six months ending April 1, 1979, the rate at which interest is calculated is 11-3/4%.

The note is repayable as follows, excluding interest:

	United States \$	Canadian \$ translated at rates of exchange prevailing at the balance sheet date \$
October 1, 1979.	115,000	136,367
October 1, 1980	115,000	136,367
October 1, 1981.	<u>1,840,000</u>	<u>2,181,872</u>
	<u>2,070,000</u>	<u>2,454,606</u>

The long-term debt is secured by 1,766,353 shares of Brunswick Mining and Smelting Corporation Limited.

- (b) Outstanding agreement —

Falconbridge Nickel Mines Limited, under existing agreements, has the right to participate to the extent of one-third in any future financing which might be arranged by the company.

4. Remuneration of Directors and Senior Officers

Total direct remuneration paid or payable to directors and senior officers for 1978 amounted to nil.

5. Subsequent Event

During January 1979 certain loans were refinanced. At December 31, 1978, these loans were as follows:

	\$
Bank loan.	100,000
Demand loan from a shareholder (U.S. \$300,000).	355,740
Promissory note (U.S. \$2,070,000).	<u>2,454,606</u>
	<u>2,910,346</u>

Refinancing was by note dated January 31, 1979 payable in U.S. funds; interest to be calculated on a six month basis at 1% over the then six month London Inter-Bank offer rate (for the six months ending July 31, 1979 the rate at which interest is calculated is 12%); the note will mature on January 31, 1982 and security given was 1,086,000 shares of Brunswick Mining and Smelting Corporation Limited.

